
ANNUAL REPORT

Economic Council of Canada



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Economic Council
of Canada

Chairman

Conseil économique
du Canada

Présidente

June 30, 1992

The Right Honourable Brian Mulroney, P.C., M.P.
Prime Minister of Canada
Parliament Buildings
Ottawa, Canada

Sir:

I hereby present the last annual statement of the activities of the Economic Council of Canada for the fiscal year ending March 31, 1992, as required by the *Economic Council of Canada Act*.

Yours sincerely

Judith Maxwell
Chairman

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The Institution

On February 25, 1992, in setting out streamlining measures in the Federal Budget, Finance Minister Mazankowski announced that the Economic Council of Canada was to be closed, along with a number of other agencies. Work to wind the Council down was undertaken almost immediately, with the objective of closing the doors at the end of June, 1992. A number of projects were cancelled, and work was accelerated on projects that were near completion. Several ongoing projects will be completed under new sponsors. All models have been documented and made available to interested researchers in governments, and in some cases, in universities.

Accordingly, this is the last Annual Report of the Economic Council of Canada.

The Economic Council of Canada was created on August 2, 1963 by an Act of Parliament. Much of the discussion that led to the Council's creation centred on a need for longer-range study and analysis, and various European advisory and planning bodies were examined as possible models. The Economic Council of Canada Act received all party support when it was tabled in the House of Commons. The Act established a consultative and a planning role in a broad macro-economic framework. Prime Minister Pearson's view of the Council's role is evident in his speech to the House in August 1963:

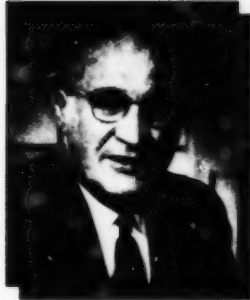
The government's hope... is that we can establish an Economic Council of Canada which will be an effective instrument for creating in Canada this kind of economic consensus, this kind of economic understanding that we need if we are to make the most of our resources, achieve and maintain high levels of employment, make our economic growth adequate for that purpose and compete successfully, as we must, in the new trading world.

The work of the Council concentrated on the examination of structural issues – identifying underlying trends, defining shifts in those trends, explaining the basic forces that affect the well-being of Canadians. In addition, the Annual Review was a vehicle to examine, on a regular basis, the performance and potential of the Canadian economy.

The Council consisted of a board appointed by the Prime Minister, comprising a Chairman, two Deputy Chairmen, and up to 25 members. The Chairman and Deputy Chairmen managed the work of a staff of economists and other specialists. The members, who represented various sectors of Canadian society and regions of the country, helped in selecting research topics, reviewed research results, and on the basis of these results developed policy advice for governments and the public.

The clients of the Council included legislators and public servants at federal, provincial, and regional levels of government. Its work was also widely used by the private sector (business and labour), the national, regional and local media, academic and economic institutions and special interest groups.

The Council provided economic information in the form of in-depth analysis and advice, which was developed from accurate, complete and timely research and from consultation with Canadians. The research was reviewed by members of the Advisory Committees of the various research projects, and the resulting advice flowed from consensus discussion by all Council Members. As the Ottawa economic consultant Michael McCracken stated upon hearing the news of the closing of the Council, "anyone who calls himself an economist in Canada will have on his bookshelf a number of Council publications."



John Deutsch (1911-1976)

The Council's first Chairman, **John Deutsch** (1963-67) was a true pioneer. The early Annual Reviews set out clear goals for economic performance, and the diverse group of Council Members learned how to build a consensus under his skilful chairmanship. Research at the Council for the first time experimented with potential output analysis techniques recently begun in the U.S. In 1966, the Council received the first of many economic research requests by the Prime Minister – the initial one dealing with the relationships of prices, costs, productivity and incomes to sustained economic growth.

The six chairmen who followed in his footsteps have contributed their own reflections on the closing of the Council in this last Annual Report.

Under the leadership of **Arthur Smith** (1967-71), the commitment was made to develop the large-scale CANDIDE econometric model which served among other things to show, in quantitative terms, how implementing the Council's targets and recommendations would affect each sector of the economy.



Arthur Smith, Professor, Brock University

Professor Smith reflects: "It is important to remember that the Economic Council Act was a non-partisan political initiative of the newly elected Liberal Government in 1963 which was passed unanimously in Parliament. The Council has never, over a period of nearly three decades, been seriously accused of political influence or partisanship. Its role as an independent advisory body was established in its early years. Although it was established as a federal institution, its basic terms of reference required it be a national advisory body, and from the outset it could focus on areas of provincial as well as federal jurisdiction, and also on areas of private, as well as government, decision making.

"There are three major contributions the Council has made, which I consider to have been generally undervalued:

"One was the contribution of the Council to education, which in turn has three major components:

- a. **The generation of broader and better public understanding of coherent national goals and policies for achieving them in consistent ways.** Much of this was indirect, through the media and other channels of communication to the general public. To the extent that this led to improved and more widely acceptable policy decisions, it was especially important in today's more complex society.

Both the determination of national goals and the selection of appropriate strategies and programs for attaining them appear to be increasingly contentious. In these conditions, better public understanding of relevant issues is no trivial matter.

- b. **Teaching in the educational system about public policy analysis and policy-making.** The Council has efficiently produced a large volume of publications of many kinds, including Annual Reviews and other Special Reference and Consensus Reports, as well as staff, specialized and more technical studies and papers. These have constituted a valuable collection of printed materials that are widely used as texts or supplementary reading materials for university and other courses, and have strengthened the base for the education and training of future public policy analysts, advisors and decision makers.
- c. **The stimulation of more applied research in educational institutions.** Without stimuli from the Council, the balance of social science research in academia would have undoubtedly become more theoretical and abstract. It is principally in applied research that Canada experiences its most woeful limitations and deficiencies.

"Second, the Council has played a remarkable pioneering role in the development of new information and analysis. In its early days, for example, it undertook totally new initiatives in exploring such issues as medium- and longer-term investment planning, productivity performance in fields such as education and health care, and the definition and analysis of poverty. This has been continued through its more recent focus on service industry productivity, jobs and incomes, and on the strengths and weaknesses of applied industrial technology. High quality pioneering research of this kind has not emerged and is not likely to emerge, from academic institu-

tions or from private, nonprofit research organizations, which are generally unable to attract adequate resources for such innovative thrusts in their activities, or to have such ready access to specific information.

"Third, the Council has become a unique national asset as a centre of research and specialized information and analysis. In the past, Royal Commissions and National Task Forces or Committees have assembled outstanding leadership, professional resources, information and data bases to focus on specific issues and problems. But when their work was done, the assembled knowledge and expertise was dispersed. Valuable information and analysis was relegated to archives. Re-examination of key issues under new and changing conditions was not readily possible – except, again, as costly and transient affairs. The potentials, economies and strengths of the Council as a kind of ongoing Royal Commission have, I believe, become undervalued.

"I have hope that the Council, because it has proved to be a valuable national organization, will be re-invented in some form in the near future. Its roles as a consensus body, as an independent advisory body, as a national policy research body, as an important educational body, and as a body dedicated to medium- and longer-term perspectives about Canada's future, are simply too important to lose."



André Raynauld,
Professor, University of Montreal

The Council's orientation was modified by **André Raynauld** (1971-76), who placed particular emphasis on researchers' technical skills in establishing specialized research groups. Dr. Raynauld states: "Without question, the two most important research projects completed during my tenure as Chairman of the Economic Council were those on trade liberalization and deposit institutions. The reason I consider these projects more significant is that they had tangible consequences: the first led to the 1989 Free-Trade Agreement between Canada and the United States, and the second prompted a sweeping series of measures designed to deregulate financial markets, including the 1980 amendment to the Bank Act allowing foreign banks to enter the Canadian market. In both these areas, the Council acted as a trailblazer, in that it focused the attention of governments on the issues and paved the way for public acceptance of the new policies – policies that might well have proved impossible to implement without the Economic Council's pioneering efforts.

"Part of the Economic Council's ongoing mandate is to prepare an **Annual Review** of overall economic conditions. During my term as Chairman, these reviews encountered strong opposition from the Department of Finance, which argued that the Council was

delving into short-term issues that not only were not its concern, but that more properly fell within the purview of the Department of Finance under its responsibilities for tax and fiscal policy. The Council eventually agreed to focus its work on the medium- and long-term implications of social problems and options for growth and, in particular, to assess the economic context and suggest appropriate policy directions based on three-year to five-year performance indicators.

"These changes did not satisfy the Minister of Finance, and I still recall meetings with the Prime Minister where it was suggested that the Economic Council Act be amended to eliminate the **Annual Reviews**. However, the Prime Minister was resolutely opposed to a legislative solution to a problem that he felt was essentially of secondary importance.

"While the very nature of the Economic Council's projects has always made it a leading research institution, it was also an organization dedicated to fostering communication among social partners. The 25 members of the Economic Council represented labour, business and a variety of occupations. Because they took responsibility for the work published by the organization, consensus was required on the interpretation of the research results and the formulation of policy advice. It fell mainly to the Chairman to seek out the right formula for compromise, and I vividly remember the countless meetings, tête-à-tête, one-on-one sessions, and friendly working luncheons I had with various members in my attempts to change or rework a particular set of recommendations in order to win members' support and achieve the necessary consensus. Again, it was *Looking Outward*, the report on trade liberalization, that demanded the most intense and difficult negotiations before consensus was finally reached. The report ended up receiving unanimous approval from Council members, something of which I have always felt very proud.

"In 1973 and 1974, the Council organized

and hosted two extremely ambitious national conferences on economic issues. They were, in a way, standing conferences, because some twenty sectoral committees were formed that worked for several months prior to the annual general assemblies. The purpose was to identify and anticipate problems affecting the major industrial groups and to propose appropriate action. Those conferences were certainly the most systematic attempt ever mounted in Canada to institute consultation between economic agents. The very success of the exercise led to its abandon, however, since labour representatives decided that they did not have the manpower to defend their interests in all the committees."



George Post, Commission Secretary,
Indian Claims Commission

Under the guidance of **George Post** (1976-77) the Council completed *Living Together* (a study of regional disparities) and *Efficiency and Regulation: A Study of Deposit Institutions* (financial markets) which called for greater competition in Canadian financial markets. Many of its recommendations were reflected in the 1980 revision of the Bank Act.

Dr. Post reflects: "Government agencies come and they go. The Economic Council is now gone and I was saddened by its passing. Admittedly, twenty-eight years is not a bad run for a federal agency and may even seem

long-lived for one whose mandate was to question entrenched orthodoxies. I try to convince myself that its passing may serve a useful purpose by rekindling the debate about the kind of "think tanks" Canada needs and how they should be financed and located for maximum effectiveness.

"Canada has been well served by its social scientists over the past half century and the Economic Council is one of the institutions that has brought its contribution to bear on the policy issues that faced the country. Social policy-making is a multi-staged process involving academic speculation, factual analytic research, germane political debate and effective legislatures. Canadians have benefitted from constructive debates concerning such issues as the contribution of free trade to industrial strength, compensation for disparities in regional earnings, and the characteristics of a sound financial system. The Economic Council played a major role in providing careful factual analysis and recommendations about these and many other important issues.

"The relevant debate about social policy is not whether Royal Commissions are more costly than continuing institutes nor whether private sector institutes can be more outspoken than government agencies. The real problems are to provide a continuing commitment to factual enquiry without becoming a "predictable point of view" and to develop and maintain a competent professional staff without being captured by any one group of professionals. The Economic Council was assisted in dealing with these problems by having strong board members with practical experience that they brought to bear on the issues under study. When I joined the Council in 1975, I thought that the economists on the staff were the key people; by the time I left in 1978, I was convinced that the contribution of board members was far more significant. The truth of the matter is that there needs to be a productive synergy between

board members who define the issues to be researched, and the staff members who produce innovative, factually-based analysis of those issues around which a policy advice consensus can be built. Productive synergies did happen at the Economic Council and I am proud to have been involved in some of them.

"Useful research requires sustained effort, careful timing and tireless communication since there are far more vested interests than there are societal change agents. The Council and its staff had a significant impact on the policy parameters within which we live today. I trust it will not take Canadians too long to invent a replacement institution."



Sylvia Ostry, Chairman,
Centre for International Studies,
University of Toronto

Sylvia Ostry (1977-79) was successful in raising the Council's profile by increasing support for its work. The Prime Minister gave the Council two references during her chairmanship – for studies on the economic impact of government regulation, and on the economy of Newfoundland. Council was also asked to set up a Centre for the Study of Inflation and Productivity, which operated for about a year.

Dr. Ostry remembers: "My first experience with the Economic Council came when I was asked by John Deutsch to help prepare a

study on full employment in cooperation with Frank Denton. I was an assistant professor at McGill and was overawed at the prospect of becoming involved with such an important institution. I was allowed to sit in, as an observer, at the Council meeting where our report was debated. There I saw John Deutsch in action. I shall never forget the display of his consummate skill at steering the meeting to consensus after a vigorous and often heated debate. He explained to me that the role of the Council – a national not federal institution – was to improve public understanding of basic economic policy. Education and public discussion were the best routes to better policy making. The independent, highly respected and objective research of the Council was its *raison d'être*. The role of the Council was to communicate to as wide an audience as possible.

"I never forgot this lesson. I have preached his message in many international meetings and advocated the Council as a model to many countries. When the demise of the Council was announced, I was stunned, then angry, then deeply saddened. Today, when profound global structural changes are transforming all countries in the world, if the Council didn't exist, we should have invented it. Instead, it was destroyed."



David Slater, Retired

The Council became more technically oriented under the leadership of David Slater (1980-85) during a period that included the worst recession since the 1930s. A number of important reports were published. He reflects, "I had the good fortune to be in turn Director, Acting Chairman, and Chairman between 1979 and 1986. The work of the Council was to serve national and regional objectives, not narrowly those of the federal government. The work was to concentrate on issues and problems "just over the horizon" of immediate policy concern, rather than the short run.

"During my term, the Council received and executed two special reference studies, with extra funding. One was a comprehensive study of Regulation and Deregulation; the other was on the Newfoundland Economy. I am still proud of those two pieces of work, both of which still are relevant. In addition to the Annual Reviews which were required under the Council's Act, the Council took initiatives on Pensions, on the Taxation of Income from Capital, on Western Canadian Economic Development, on Financing Confederation, on Technology and Innovation, and on the Financial System.

"From most of a lifetime of work on the fringes of or in government agencies, I am still convinced that most government departments, most of the time, are unable to retain substantial, high quality resources in research

on issues "over the horizon." The private sector and academic communities can now make more effective contributions to such issues than they did three or four decades ago. But they have other objectives; and they typically have very limited resources. This is particularly so for research work which requires sustained effort over several years, involving masses of data. A case can be made for improved support from the private sector and the academic community. A case can be made for some reorientation of work by bodies like the Economic Council. But I am still convinced that there is an important continuing role for a body such as the Economic Council of Canada in concentrating the interest and intellectual capital available in the country on many of the medium- to long-run issues of continuing importance. I believe that the Council was "worth its keep" during my tenure, and has continued to be "worth its keep."

When Judith Maxwell became Chairman in 1985, the Council began to put more effort into policy analysis. A faster turn-around time and a greater diversity of research topics resulted in a more regular flow of studies. Project directors began using more input from other disciplines such as sociology and political science. There was a strong commitment to communicating the work of the Council through a strong publicity program which included media relations, speeches, seminars, conferences, frequent appearances before parliamentary and cabinet committees - both federal and provincial.

Recent Reports: 1991 and 1992

With the closing of the Council, a number of important projects which were in their early stages were cancelled. Nevertheless, an important list of statements were published, and several more which were well underway will continue under different management.



The Twenty-Eighth Annual Review, A Joint Venture, published in October of 1991, examined the trade and commercial ties between the provinces. It assessed the state of the economic union and examined the

economic consequences of a number of different options for fiscal arrangements in a changing federation. The Review also provided new information about unemployment experience of workers by age and by sex, and studied the impact of the recession and changes in the structure of Canadian industry on unemployment patterns. The Annual Review team was headed by Jean-Pierre Voyer who was assisted by Kei Moray, J. R. Nightingale, D. Péloquin, Andrew Burns, and Marcel Bédard. The Medium Term Outlook chapter was prepared by the Performance and Outlook Group under the leadership of Ross Preston.



Pulling Together, a consensus report on Productivity, Innovation and Trade, had strong messages for labour, business, and government alike. It warned that slow productivity growth and lack of

innovation in both corporate organization and competitive products increased the risk of a lower standard of living in the future. The research team was led by Sunder Magun, and consisted of Someshwar Rao, Raynald Létourneau, and Tony Lemprière.



The Council's last Statement was on the subject of education and training. *A Lot to Learn* was released in April, not as a Consensus Statement but rather as a "statement," which had been strongly influenced

by the Council members who were no longer in office. The research reviewed the quality of education in Canada and compared the Canadian system with those in Japan and Germany. It pointed out that secondary school students are ill prepared to enter the work force. The study also reviewed job retraining and apprenticeship or work experience programs. Keith Newton was the project leader and members of his team were Kathryn McMullen, Tom Schweitzer, Patrice de Broucker, Gilles McDougall, and Tom Siedule.



An important study on poverty is to be released prior to the Council closing its doors in June. This in-depth study is based on a unique data set built in cooperation with Statistics Canada and the provinces of Quebec and

Nova Scotia. The data enabled researchers to

track families over time and thus provided the first systematic insights into the duration of poverty in Canada. Brian Powell provided the leadership in launching the project. He was succeeded by David Beavis. Keith Patterson had responsibility for completing the project. The research team included Eden Cloutier, Hans Messinger, Norm Leckie, Regent Chamard, Richard Morrison, Roger Guillemette, Daniel Stripinis, Jeannine Bailliu, Daniel Lacroix, and Francine Proulx.

Several authored studies have been published by the Council since the last annual report:

The Full-Employment Objective in Canada, 1945-85: Historical, Conceptual and Comparative Perspectives, by Robert M. Campbell

Canadian Unemployment: Lessons from the 80s and Challenges for the 90s, by Surendra Gera

The Constitutional Division of Powers: An Economic Perspective, by Robin Boadway

Corporate Mergers and Acquisitions: Evidence on Profitability, by Abraham Tarasofsky and Ronald Corvari

Income Maintenance, Work Effort and the Canadian Mincome Experiment, by Derek Hum and Wayne Simpson

Earnings of Immigrants: A Comparative Analysis, by Arnold de Silva

The Public Sector: A Graphic Overview, by Sylvester Damus

All of these and earlier publications will be available from the Canada Communication Group - Publishing, Ottawa, Canada, KIA OS9.

As well, 13 working papers had been published at the end of March 1992 and more than 25 are to be published as part of the wind-down of the Council.

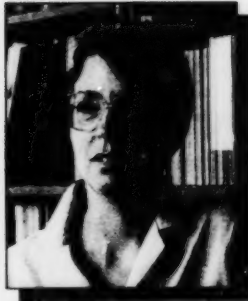
New Homes for Project Completion

The projects that are being transferred to new homes, where they will be completed over the next two years are as follows:

- **Governments' Impact on Competitive-ness**, which was initiated by the Prime Minister, will be completed at the School of Policy Studies at Queen's University. The Prime Minister asked the Council to undertake a "major project on the structure of government in Canada which would contribute to the public debate on how governments can achieve their objectives while effectively controlling costs to the private sector." The project engages the active participation of provincial and municipal governments and representatives of private sector organizations through an Advisory Committee. Stakeholders are also participating in a series of research seminars being held across Canada in 1992. The results of the project will be published over the next 18 months. A major conference is planned for early 1993 and the final report will be released in late 1993. The Project Director is Bryne Purchase.
- **Canada's Commercial Relations with the Pacific Rim**, funded mainly by the Canadian International Development Agency, will be completed at the John Deutsch Institute at Queen's University. It focuses on assessing the economic implications for Canada of the explosion of economic growth in the Pacific Rim and seeks to determine whether the rapid changes there have implications for Canada's trade, investment and commercial policies. The research will be completed by September. It will be disseminated through working papers or through a conference in the fall of 1992 followed by publication of the proceedings.
- **Cost Efficiency of the Canadian Health Care System** will be completed at a new centre of excellence to be established at the University of Ottawa. Developed in consultation with more than 100 stakeholders across Canada, and refined with the help of an Advisory Committee comprised of 16 members, the project will analyze the cost-effectiveness of the system and identifies the changes required in incentives and organization to improve cost-effectiveness. The project is being jointly funded by provincial governments, associations of health professionals and business, in addition to the federal government. The final report will be published in 1994. The Project Director is Douglas Angus.
- **Firm Strategy and Adaptation** is to be completed in the Analytical Studies Division of Statistics Canada. The project reviews changes in the Canadian industrial structure and examines strategies that firms are using to adapt to an environment in which trade liberalization, globalization and technological change are transforming the industrial landscape. The study will identify the causes and consequences of restructuring in the Canadian economy, examine the process of innovation and address specific issues such as the efficacy of strategic alliances, and the process of adoption and diffusion of technology. The research partners include Industry, Science and Technology Canada, Statistics Canada, Consumer and Corporate Affairs, Atlantic Canada Opportunities Agency, the Conference Board of Canada, Le Centre de Recherche en développement industriel et technologique, Université du Québec à Montréal, The Centre for International Studies, University of Toronto and University of Lethbridge. The final report will be published in the first half of 1993. The Project Director is John Baldwin.

- **Human Resources Management** is to be completed at the School of Industrial Relations at Queen's University. The project analyzes firms' strategies with respect to human resource management, and assesses the implications for their performance and hence for the well-being of all Canadians. With rapid global change, there is increasing recognition that human resource policies are a key to prosperity. There is growing concern that Canada's traditional approaches to industrial relations need to be restructured. Comparisons will be made to policies in the United States and elsewhere. The final report will be published early in 1994. The Project Director is Gordon Betcherman.

Further information on these projects can be obtained from the Queen's-University of Ottawa Economic Projects in Ottawa at (613) 567-7500



Judith Maxwell

As a society, Canadians need to be able to look at the longer term. We need to know where we have come from and where current actions might lead us if we are to cope with a context that is fragmented, overloaded, fastmoving, and therefore very complex.

1. **Fragmented.** We are a splintered society; there are too few bridging mechanisms between regions, between linguistic groups, between business and labour, between governments and the private sector. And every interest or region has its own advocates.
2. **Overloaded.** The agenda is overloaded at all levels of government. The Constitution, the recession and unemployment, industrial restructuring, technological change, environmental pressures, failing family structures and fragile community institutions overwhelm us.
3. **Fastmoving.** The pace of events has accelerated in recent decades. A new product or technology lasts a few years at best; companies and organizations are forced to adapt to a constantly changing set of pressures; distances have shrunk. The new competitors today are in Taiwan and South Korea; tomorrow – who knows? This contributes to overload and to fragmentation as everyone looks for a short-term solution for one problem, so they can focus on another.

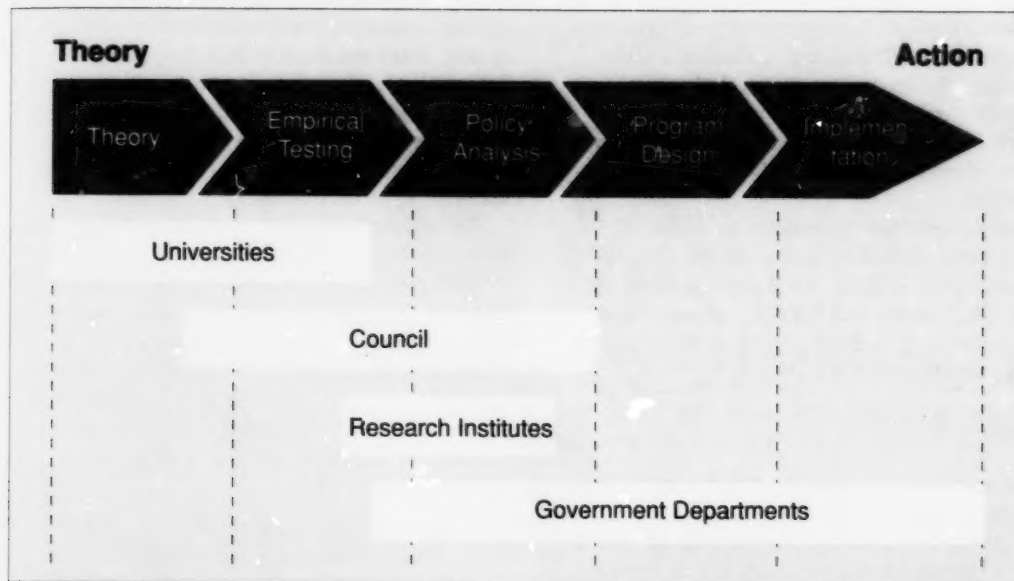
This context makes it difficult to sort short-term symptoms from long-term problems. We live in a blur of instant information. Governments, business, labour and other leaders are constantly making choices with long-term impacts. They therefore need to know the long-range consequences of their actions.

The Economic Council of Canada was intended to help provide this long-range thinking. It did not do the whole job, nor did it do its work perfectly. But there are two functions that I think should be replaced as the Council disappears. One is the capacity to do systematic, original research. The other is its bridge-building capacity – providing a common information base for business, labour, governments and a whole spectrum of other groups in society.

Original, applied research

Research requires time and money. Time is required to compile data, analyze it and test the results; to link those results to other facts, then to assess the implications for the future. Money is required to pay the salaries of highly skilled people, the cost of data, communications and computers needed to put the story together. And who does that kind of work in Canada? Across the broad spectrum ranging from theory, to empirical testing, to policy analysis, to program design, and finally to implementation; there is no one group which can accomplish the full range.

The Research Spectrum



University researchers do in-depth research, but the academic reward system discourages applied economic research using Canadian data. University research falls primarily into the range of theory; there is limited empirical testing and virtually no effort to translate the results into policy. Furthermore, academics on their own tend to work in highly specialized areas.

Private research organizations focus primarily on public education and synthesis of the work of academics, Royal Commissions and others (including the Economic Council). Sometimes they initiate original research, but it is limited in scope and is not systematic or sustained. They do not have the mandate nor the capacity (critical research mass) to do in-depth empirical work aimed at the longer term. This situates private research organizations in the policy analysis segment of the research spectrum. They do not now have the research capacity to significantly re-orient their focus toward original, applied research. They could move in that direction, but would

need much more money and redefined mandates.

Government departments perform a combination of analysis and synthesis of existing work to inform Ministers. Although their work can be original and sustained, generally they do not have the resources, the time or the mandate to undertake medium- and long-term economic research. With fiscal restraint, many departments' capacity to do research has shrunk. Their research agendas are shaped by government priorities and, in general, the results are not available to the wider public.

Royal Commissions have, in the past, done valuable original research in testing theory against Canadian data. However, Royal Commissions are formed to address particular issues. When their work is completed, the assembled expertise is disbanded. Thus, research is not sustained and systematic and there is no institutional memory to help them link past experience easily to the present.

So, with the closing of the Council, a gap

has been created. Unless a private organization moves to fill that gap, Canadians will increasingly depend on research done in other countries. There will be no systematic efforts to test those ideas from other countries to see whether they are supported by Canadian data.

Other industrial countries use an array of institutions to do this kind of work. Some of the best work is done in the private sector in the United States and Europe, while in Japan and some parts of Europe it takes place in the public sector: there is no single formula.

Bridge-building

The second key gap to be filled is in bridge-building. Unlike most European countries and Japan, Canadian labour and management organizations are fragmented, and our federal structure means that the government sector is also fragmented. Then we must add the geographic and linguistic obstacles to coherent policy making. We also have an adversarial tradition in politics and in labour-management relations. As a result, partnerships and consensus will always be difficult, even though the Council's work has shown that partnerships are needed if we are to cope with economic and social challenges.

Partnerships and consensus are easier to develop if the stakeholders can refer to the same data base, available in both French and English. If they can agree on the facts, it is easier to work on solutions. Thus, it is important to have a common data base which is trusted as being nonpartisan, nonideological. The research findings of the Economic Council were used in both official languages by business and labour, by social advocacy groups – by people in all regions of the country.

Effective bridge-building only occurs if information flows in two directions. Successful independent research requires input from many interest groups to shape the research

agenda through problem definition, peer review, joint ventures in building data, surveys or case studies. In return, the network of interest groups gains access to in-depth research which they cannot produce themselves for lack of time, money, research skills or research management capacity.

The work of the Economic Council has been truly a public good. It provided knowledge that shaped the mind set of opinion leaders and decision makers. It therefore influenced their strategic planning, and their ability to work with each other. I am sure that another economic council will have to be created; my regret is that the assembled resources, both human and physical, are being dispersed.



AUDITOR GENERAL OF CANADA

VÉRIFICATEUR GÉNÉRAL DU CANADA

AUDITOR'S REPORT

To the Economic Council of Canada
and the
Prime Minister of Canada

I have audited the statement of operations of the Economic Council of Canada for the year ended March 31, 1992. The financial statement is the responsibility of the Council's management. My responsibility is to express an opinion on the financial statement based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, this financial statement presents fairly, in all material respects, the results of operations of the Council for the year ended March 31, 1992 in accordance with the accounting policies set out in Note 3 to the financial statement.

D. Larry Meyers, FCA
Deputy Auditor General
for the Auditor General of Canada

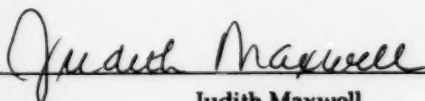
Ottawa, Canada
June 10, 1992

Economic Council of Canada

Statement of Operations for the year ended March 31, 1992 (Note 2)

	1992	1991
	\$	\$
EXPENDITURE		
Economic research and policy analysis		
Salaries and employee benefits	5,785,061	5,470,615
Employee termination benefits	26,199	39,199
Professional and special services	877,086	498,261
Supplies, furniture and equipment	590,169	544,294
Travel, communication and publication	223,546	188,233
Rental, repair and maintenance of equipment	26,011	26,660
	7,528,072	6,767,262
Consultation and public information		
Salaries and employee benefits	1,990,758	1,904,134
Employee termination benefits	28,940	60,259
Professional and special services	205,145	136,094
Travel, communication and publication	146,668	149,116
Council meetings	97,283	102,370
Supplies, furniture and equipment	14,883	13,278
Rental, repair and maintenance of equipment	1,667	3,304
	2,485,344	2,368,555
Administration		
Salaries and employee benefits	853,885	916,195
Accommodation	715,294	715,294
Travel, communication and publication	157,875	174,203
Professional and special services	81,423	120,642
Supplies, furniture and equipment	74,654	92,407
Rental, repair and maintenance of equipment	60,780	63,725
Miscellaneous	2,516	2,014
	1,946,427	2,084,480
	11,959,843	11,220,297
REVENUE		
Non-tax revenue		
Refunds of previous years' expenditure	6,145	13,785
Miscellaneous	75,176	5,191
	81,321	18,976
Net cost of operations (Note 4)	11,878,522	11,201,321

The accompanying notes are an integral part of this statement.
Approved by the Council:



Judith Maxwell
Chairman



Robert Woods
Director, Finance and Administration

Economic Council of Canada

Notes to the Statement of Operations

March 31, 1992

1. Authority and purpose

The Council was established in 1963 by the Economic Council of Canada Act and is a departmental corporation named in Schedule II of the Financial Administration Act.

The objective of the Council is to advise and recommend to the Prime Minister how Canada can achieve the highest possible levels of employment and efficient production in the medium and long term in order that the country may enjoy a high and consistent rate of economic growth and that all Canadians may share in rising living standards.

The Council's operating expenditures are funded by a budgetary lapsing authority. Employee benefits are authorized by statutory authorities.

2. Wind up of the Economic Council of Canada

In its February 25, 1992 Budget, the government announced its intention to close down the Economic Council of Canada. The relevant legislation, Bill C-63, was approved at second reading on Monday, May 5, 1992 and referred to a legislative committee the same day. Once passed, the legislation will come into force on the day to be fixed by order of the Governor in Council.

The Bill stipulates that the Minister of Industry, Science, and Technology may do all acts necessary to close the affairs of the Council. The Bill also provides for all rights, property, obligations and liabilities of the Council to be transferred to Her Majesty.

This has resulted in the pay out of separation benefits, retiring allowances, cash in lieu of training, relocation and travel as well as severance pay. The pay out to each employee is determined in accordance with a separation policy which was approved by Treasury Board. Also in accordance with Treasury Board policy, professional assistance is being provided. The maximum pay out is estimated at \$7.0 million in 1992-93.

3. Significant accounting policies

The Statement of Operations has been prepared in accordance with the reporting requirements and standards established by the Receiver General of Canada for departmental corporations. The most significant accounting policies are as follows:

(a) Expenditure recognition

All expenditure is recorded on the accrual basis with the exception of termination benefits and vacation pay which are recorded on the cash basis.

(b) Revenue recognition

Revenue is recorded on the cash receipts basis.

(c) Capital purchases

Acquisitions of capital assets are charged to operating expenditure in the year of purchase.

(d) Services provided without charge

Estimates of amounts for services provided without charge from Government departments are included in expenditure.

(e) Refunds of previous years' expenditure

Refunds of previous years' expenditure are recorded as revenue when received and are not deducted from expenditure.

Economic Council of Canada

Notes to the Statement of Operations (concl'd.)

March 31, 1992

4. Parliamentary appropriations

	1992	1991
	\$	\$
Privy Council - Vote 25	10,105,544	9,252,000
Lapsed	297,812	-
Government-wide cost reduction	34,000	119,893
Statutory contributions to employee benefit plans	9,773,732 1,222,597	9,132,107 1,146,000
Total use of appropriations	10,996,329	10,278,107
Add: Services provided without charge by Government departments	963,514	942,190
Less: Non-tax revenue	81,321	18,976
Net cost of operations	11,878,522	11,201,321

5. Agreement with CIDA

In June 1990, the Council and the Canadian International Development Agency (CIDA) entered into an agreement under which the Council will, over a six-year period, assist the Thailand Development Research Institute in strengthening its abilities in various areas. A budget of \$7.6 million has been established for the project which will be fully funded by CIDA. During the 1991-92 fiscal year, approximately \$1,602,500 (\$373,000 in 1990-91) was recovered from CIDA for the expenditures paid by the Council. These expenditures are not recorded in this statement of operations. Responsibility for the management of this agreement was transferred to Queen's University effective June 1, 1992.

6. Lease commitment

On April 25, 1990, the Economic Council of Canada entered into a buy for lease agreement with the Department of Supply and Services to purchase a VAX computer. The asset was valued at \$416,600 using an implicit interest of 9.64 per cent, with the obligation being liquidated over the lease term of four years through annual lease payments of \$104,150. Because of the close down of the Economic Council (see Note 2) a final payment of \$208,045 has been accrued.